

## The Influence of Product Price on Consumers' Purchasing Decisions

Albari\*

Department of Management, Faculty of Economics, Indonesian Islamic University (UII), Yogyakarta, Indonesia

Indah Safitri

Department of Management, Faculty of Economics, Indonesian Islamic University (UII), Yogyakarta, Indonesia

— *Review of* —  
**Integrative  
 Business &  
 Economics**  
 — *Research* —

### ABSTRACT

Consumers consider various factors when making purchasing decisions. In the literature, important factors that influence the purchasing decision are discussed by using product price factor. The price of the product is divided into three dimensions: fair price, fixed price, and relative price. In addition, brand image variables are also considered as mediators between price and consumers' purchasing decisions and are viewed as important factors affecting the latter. The subject of this research is the consumption of counterfeit products or "replicas" of famous brands. The sample consisted of 166 people who were selected using the purposive convenience sampling technique. Data were obtained by using a questionnaire. After instrument testing and quality testing, the data were then analyzed by using regression analysis and the discriminant model. All calculations were carried out by using the SPSS 21.0. The discriminant analysis results show that brand image and price (fair price and fixed price) simultaneously have a partial and positive effect on purchasing decision. Multiple linear regression analyses results show that price (fixed price and relative price) simultaneously have a partial and positive effect on brand image.

Keywords: Brand image, Price (fair price, fix price, relative price), Purchase decision.

### 1. INTRODUCTION

In this dynamic era of marketing revolution and the heightened impact of marketing activities on the life of a common man, people have become more brand conscious in most of the products they purchase. Before deciding to purchase a product, customers associate it with some factors, such as quality, performance, features, and even country of origin (COO) (Tajdar et al., 2015). According to Mramba (2015), a consumer's purchase decisions are influenced by many factors, including personal, psychological, social and cultural factors, thus making it difficult for marketers to predict how consumers buy a particular product. In relation to this, brand name is a fundamental dimension of brand equity, which is why it is often regarded as a prerequisite of consumers' purchasing decisions (Wu, 2015).

Brand image is important because it influences consumers' purchasing behaviors (Bian and Moutinho, 2008). Djatmiko and Pradana (2015) also concluded that brand image significantly influences purchasing decisions.

Meanwhile, the development of the fashion industry has led to the addition of aesthetic elements for each item. In this context, the higher the value of an item, the higher the public

judgment upon the buyer. For this reason, counterfeit branded products (i.e., “replicas”) like bags, shoes, clothes, and other products, have become ubiquitous in everyday life. Due to the rising popularity of such products among women and even among men, many local producers thus began to produce counterfeit goods that look almost the same as the original manufacturers' branded products (Hening, 2015).

According to Bian and Moutinho (2008), replicas are products, whose brands are identical to trademarks owned by another party, namely, the trademark holders; hence, the production of replicas is an infringement upon the rights of these trademark holders. Counterfeiting has existed for a long time and has been a serious concern for the legitimate producers since the 1970s.

Indeed, counterfeiting has become a significant economic phenomenon in the last two decades. Despite the fact that the acts of selling and manufacturing counterfeit items are considered a crime in some countries, such as in the US and the UK, recent research shows that about a third of consumers will choose to buy fake goods regardless of the potential consequences associated with counterfeiting. As the demand is always the main driver of the market, many researchers have argued that consumer demand for counterfeit goods is one of the main drivers behind the growth of this phenomenon.

Nowadays, many consumers even choose imitation products of famous brands over the original ones. According to a study, consumers are willing to buy replicas because they are cheaper than the original brand and hence offer more value (Hupman and Zaichkowsky, 1995). So that the replicas can be readily accepted by consumers, they must emulate the original brand (Xu and Yi, 2009). Meanwhile, according to Vogel and Watchravesringkan (2017), consumers evaluated consumer products that are less similar imitations of the original more positively than very similar imitations, especially when they are aware of the trend of imitation. In addition to brand image, price has a role in purchasing decision, and this finding also applies to poor and developing countries (Kotler and Keller, 2016). Price has a relative effect: some consumers are sensitive to price, whereas others do not consider the price when making a purchase decision (Sangadji and Sopiah, 2013). In addition, Djatmiko and Pradana (2015) proved that the brand image and price are strong factors that determine purchase decisions.

According to Tjiptono (2008), prices affect the image and brand positioning strategy; hence, price is an important element. Consumers tend to associate price with product level, that is, a perceived high price reflects high quality and vice versa. Furthermore, Buehler and Halbherr (2017) stated that price is one of the factors that heighten brand image. Hence, both brand image and price are strong factors that determine purchase decisions. Each variable shall be described below.

## **2. LITERATURE REVIEW AND HYPOTHESES**

### **2.1 Brand Image**

Sangadji and Sopiah (2013) describe brand image as a set of memories about a brand—be it positive or negative—in the minds of consumers. The memories of a brand may consist of the product attributes and perceived benefits to the consumers. Brand is a convenient unitary image (Tajdar et al., 2015). Bian and Moutinho (2008), Li et al. (2011), and Zhang (2015) explained that brand image is important because it influences a consumer's decision to purchase and his/her buying behavior. Consumers typically do not have the time to obtain full knowledge about a product while making a decision; thus, consumers often rely on the brand image as an

extrinsic cue to make a purchase decision (Lin, 2007; Duranni et al., 2015; Akkucuk dan Esmaeili, 2016)

According to Marta (2016), the majority of consumers prefer to buy products/services that are branded as a brand represents a symbol of quality. Further, Djatmiko and Pradana (2015) proved that a brand significantly influences purchasing decisions. Based on the discussion above, we present our first hypothesis below.

H1. Brand image has a positive influence on purchasing decisions.

## 2.2 Price

Price perception greatly affects a consumer's decision to purchase a product. The perception of price explains information about a product and provides a deep meaning for the consumers (Kotler and Keller, 2016). Hence, price is an important factor in the purchasing decision, especially for products that are frequently purchased, and in turn, influences the choices of which store, product, and brand to patronize (Faith and Agwu, 2014). Consumers are very rational when it comes to judging what benefits they wish to get from buying products or services they pay for (Al-Mamun and Rahman, 2014).

The price of a product is divided into three dimensions: fair price, fixed price, and relative price. Fair price refers to the adjustment of a price that offers a combination of quality and appropriate services at a reasonable price (Kotler and Keller, 2016). Fixed price is a set price for all buyers (Kotler and Keller, 2016). Relative price is the price set in accordance with the quality and service provided by the seller (Kotler and Armstrong, 2014). Research by Komaladewi and Indika (2017) indicated that most respondents consider price as an important factor influencing their purchase decisions, similar to the finding of Djatmiko and Pradana (2015) and Termsnguanwong (2015). Based on the discussion above, we present our second hypothesis below.

H2. Price has a positive influence on purchasing decisions.

Although the majority of consumers are rather sensitive to price, they also consider other factors, such as brand image, store location, service, value, and quality (Tjiptono, 2008). Along the lines of the conventional saying "You get what you pay for," many consumers use price as an indicator of quality (Lien et al., 2015). Tajdar et al. (2015) recommended that a brand must come with a reasonable price. According to Tjiptono (2008), price is an important element as it affects a brand's image and positioning strategy. Consumers tend to associate price with product level, such that a perceived high price reflects high quality and vice versa. Furthermore, Buehler and Halbherr (2017) stated that price is one factor that helps improve brand image. Based on the discussion above, we present our third hypothesis below.

H3. Price has a positive influence on brand image,

## 2.3 Purchase Decision

A purchase decision is an evaluation stage, in which consumer preferences towards a brand are formed. Consumers also establish the purpose of buying the most preferred brand during this stage (Setiadi, 2003). Kotler and Armstrong (2014) describe purchase decision as a buyer's decision-making stage wherein an individual decides to actually buy the product being

considered. Subsequently, Kotler and Armstrong (2014) explained that a purchase decision is the decision regarding a brand to be purchased. Similarly, Djatmiko and Pradana (2015) stated that the purchase decision-making process is the stage wherein consumers actually buy the product. From the presentation of the theoretical studies and hypotheses above, we propose the research framework shown in Figure 1.

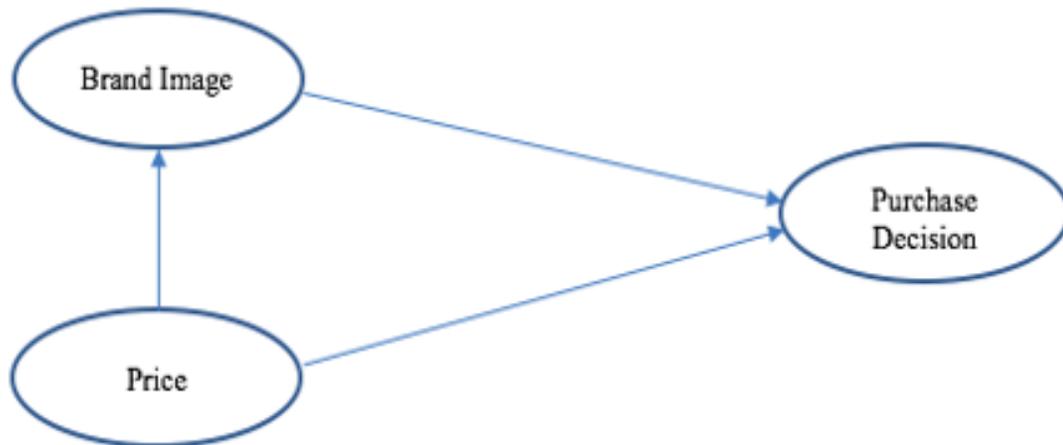


Figure 1:  
Research Framework

Figure 1 shows the positive effects of a variable brand image on the purchase decision variable, the variable purchase price against the decision variables, and the variable to variable price brand image.

### 3. RESEARCH METHODS

The subjects in this research consisted of two types of consumers: those who never used replicas and those who have purchased replicas. The populations selected as the subject of the sample were not limited, so the researchers had the freedom to select the sample. For this reason, the sample size was determined to be as many as 166 respondents. The number was obtained based on the test of significance level ( $\alpha$ ) of 1% and the fault tolerance in the sampling (E) of 10%. To obtain a sample of respondents, we followed the Isac Miche approach. The operational process was to ask the consumers whether they were willing to be respondents.

Meanwhile, the data were obtained using a questionnaire instrument, which contained questions and responses relating to the indicators throughout the study variables. The response of each item statement on each of these variables was provided in a closed session with a 5-point scale, ranging from strongly disagree (score 1) to strongly agree (5). For the brand image variables, these were measured by a 5-point indicator, and the price variable was divided into three dimensions: fair price, fixed price, and relative price. The instruments and research data were subjected to validity and reliability testing to ensure good quality. The instrument quality test involved 35 respondents. The validity test used the correlation matrix and the reliability test used the Cronbach's alpha value. The indicators were considered valid if the value of the correlation was positive and greater than the critical correlation values (see Table 1) at a significance level of 5%, whereas the variable was considered reliable if its Cronbach's alpha

value was greater than 0.60. The contents of the research questionnaire and the two quality tests are summarized in Table 1.

In this study, we used two data analysis tools: model of discriminant analysis and multiple linear regression model. In the discriminant analysis phase, we conducted simultaneous test phase (Wilks Lambda), a partial test (test OF), and tests for homogeneity, and multicollinearity. Then, in the regression analysis phase, we performed a six-criterion testing procedure including the following: T test, F test, normality test, heteroskedasticity test, multicollinearity test, and linearity test. All calculations and analysis of this study were conducted using SPSS version 21.

#### 4. RESULTS AND DISCUSSION

The first stage of the analysis involved testing the validity and reliability of the instrument. The critical value of the validity of the instrument was 0.2746 ( $n = 35$ ). The complete calculation results of the validity and reliability of the instruments are shown in Table 1. All the indicator variables showed that the correlation results produced greater moment than the critical value of 0.2746; furthermore, the Cronbach's alpha coefficients were greater than 0.60. These prove that the indicators and variables are valid and reliable and can be used in the subsequent data analysis.

**Table 1: Validity and Reliability Test Results**

| Variable / Indicator                            | Code         | Validity | reliability |
|---|--------------|----------|-------------|
| <b>Brand Image</b>                              | <b>BI</b>    |          |             |
| It has the function of the same product.        | <b>BI 1</b>  | 0525     | 0803        |
| Counterfeit products make me more confident.    | <b>BI 2</b>  | 0694     |             |
| Symbols have the same brand.                    | <b>BI 3</b>  | 0503     |             |
| Counterfeit products have a famous brand image. | <b>BI 4</b>  | 0661     |             |
| Counterfeit products follow the times.          | <b>BI 5</b>  | 0603     |             |
| <b>Fair Price</b>                               | <b>Fr.P</b>  |          |             |
| An affordable price                             | <b>Fr.P1</b> | 0446     | 0672        |
| Prices in demand by the consumers               | <b>Fr.P2</b> | 0675     |             |
| Prices received by all the people               | <b>Fr.P3</b> | 0362     |             |
| <b>Fixed Price</b>                              | <b>Fx.P</b>  |          |             |
| Clear price lists                               | <b>Fx.P1</b> | 0503     | 0719        |
| Price according to the benefits provided        | <b>Fx.P2</b> | 0563     |             |
| Relatively more reasonable price                | <b>Fx.P3</b> | 0602     |             |
| The same price in the market                    | <b>Fx.P4</b> | 0377     |             |
| <b>Relative Price</b>                           | <b>Rlv.P</b> |          |             |

|  |               |      |      |
|--|---------------|------|------|
| More economical  | <b>Rlv.P1</b> | 0279 | 0720 |
| Price is able to compete   | <b>Rlv.P2</b> | 0560 |      |
| Relatively cheaper price   | <b>Rlv.P3</b> | 0607 |      |
| The better the quality of the product and a similar shape higher price | <b>Rlv.P4</b> | 0439 |      |

**4.1 Discriminant Analysis Model**

The analysis used two models: discriminant analysis and regression analysis. The first method, discriminant analysis, was used to determine the dependency of the dependent variables with the on-matrix scale; the independent variable was determined by using the metric scale. The dependent variable (purchasing decisions) was determined by using the non-scale matrix and the independent variables (brand image and price) were determined with the scale matrix. These were carried out to determine the existence of a dependency relationship between the dependent and independent variables. Next, multiple linear regression analysis was conducted to establish the positive influence of brand image on price. The complete discriminant analysis calculation results are summarized in Tables 2 and 3.

Table 2 shows the model discriminant analysis results. As can be seen, all variables have positive results, which are supported by the test calculation (Wilk's Lambda) and partial test (Test F) results, with a significance level of 5%. Tests showed the value of the Wilk's Lambda by  $0.000 > 0.05$ , indicating that the independent variable has a simultaneous positive effect on the dependent variable. For the partial test F, results indicated that all independent variables have a value  $0.000 < 0.05$ , indicating a positive result. However, one independent variable proved to be insignificant relative to price, because the coefficient beta at the variable relative price of  $-0.187$  is negative, it means that there is a relationship in the opposite direction and this negatively affects the price relative to the purchase decision. Thus, it is necessary to repair the model by testing the three independent variables of brand image, fixed price, and fair price on the dependent variable of purchase decision. Then, after the repairs, we obtained a positive result, indicating that brand image, fair price, and fixed price all have a significant and positive influence on consumers' purchasing decisions.

**Table 2: Discriminant Analysis Results**

| VD | VI    | Coef  | Wilk's Lambda | Sig-F | Homogeneous | R    | R2   | r    | r2   |
|----|-------|-------|---------------|-------|-------------|------|------|------|------|
| PD | BI    | 0773  |               | 0000  |             |      |      | 0873 | 0762 |
|    | Fr.P  | 0399  | 0000          | 0000  | 0243        | 0485 | 0235 | 0612 | 0374 |
|    | Fx.P  | 0315  |               | 0000  |             |      |      | 0559 | 0312 |
|    | Rlv.P | -0187 |               | 0000  |             |      |      | 0482 | 0232 |

**Table 3: Discriminant Analysis Results (Repaired Model)**

| VD | VI   | Coef | Wilk's<br>Lambda | Sig-<br>F | Homogeneous | R    | R2   | r    | r2   |
|----|------|------|------------------|-----------|-------------|------|------|------|------|
| PD | BI   | 0731 |                  | 0000      |             |      |      | 0882 | 0777 |
|    | Fr.P | 0324 | 0000             | 0000      | 0477        | 0481 | 0231 | 0619 | 0383 |
|    | Fx.P | 0279 |                  | 0000      |             |      |      | 0564 | 0318 |

The calculation results show the significance of the classical assumption. The calculation of homogeneity testing (Box's M / F test) generated a probability value greater than 0.05, whereas in the multicollinearity testing, all the coefficients of correlation between variables were  $\leq 0.60$ , indicating that there was no multicorrelation between the independent variables (brand image, fair price, and fixed price) in the discriminant model. Thus, Model I was supported empirically. Meanwhile, the partial determinant coefficient ( $r^2$ ) calculation results indicate that brand image was more dominant in influencing purchasing decisions than price. The coefficient of determination (R2) with a total effect was quite high (0.231).

#### 4.2 Regression Model Analysis

Multiple linear regression analysis was conducted to determine the positive influence of price on brand image. The multiple linear regression analysis results are summarized in Tables 4 and 5. Table 4 shows the positive results of each variable, which are supported by value of the test calculations (F test) and partial test (T test), with a significance level of 5%. Results showed the value of the test F by  $0.000 > 0.05$ , indicating a positive result. This means that the independent variable has a simultaneous and positive effect on the dependent variable. Next, in the partial test (T test), all independent variables showed the value  $0.000 < 0.05$ , indicating a positive result. However, one independent variable proved to be insignificant (i.e., fair price), because the coefficient1 beta at the variable fair price of  $-0.010$  is negative, which means that there is a relationship in the opposite direction and this negatively affects the impact of fair price on brand image. Thus, it is necessary to repair the model by testing the influence of two independent variables (fixed price and relative price) on the dependent variable (brand image). After the repairs, we obtained a positive result, indicating that fair price and relative price have a significant and positive effect on brand image.

**Table 4: Regression Analysis Results**

| VD | VI    | Coef   | Sig-F | Sig-t | Hetero | Nor   | Multicol | Linier | R <sup>2</sup> | r      | r <sup>2</sup> |
|----|-------|--------|-------|-------|--------|-------|----------|--------|----------------|--------|----------------|
| BI | Fr.P  | -0.010 |       | 0.946 | 0.044  |       | 1.549    |        |                | -0.005 | 0.000          |
|    | Fx.P  | 0.329  | 0.000 | 0.003 | 0.823  | 0.778 | 1.341    | 43.6   | 0.249          | 0.203  | 0.041          |
|    | Rlv.P | 0.500  |       | 0.000 | 0.882  |       | 1.671    |        |                | 0.279  | 0.077          |



purchasing decisions. This is because a well-regarded brand image can influence consumers positively and encourage them to buy the product being offered. Finally, as brand image is considered important, the manufacturers of original brands must always maintain the brand image, so that their products will always be superior to the replicas.

### ACKNOWLEDGMENTS

The researchers would like to thank all those who have provided support in the completion of this research, especially the respondents. We also wish to thank the Department of Management, Faculty of Economics, Islamic University of Indonesia, who funded this research.

### REFERENCES

- [1] Akkucuk, U. and Esmaeili, J. (2016). The Impact of Brands on Consumer Buying Behavior: An Empirical Study on Smartphone Buyers. *Turkey Journal of Research in Business & Social Science*, 5 (4), 01-16
- [2] Al-Mamun, A. and Rahman, M.K. (2014). a Critical Review of Consumers' Sensitivity to Price: Managerial and Theoretical Issues. *Journal of International Business and Economics*, 2 (2), 01-09
- [3] Bian, X. and Moutinho, L. (2008). The Role of Brand Image, Product Involvement, and Knowledge in Explaining Consumer Purchase Behaviour of Counterfeits Direct and Indirect Effects. *Research Memorandum*, 77 (March), 1-34
- [4] Buehler, S. and Halbherr, D. (2017). Selling When Brand Image Matter. *Journal of Institutional and Theoretical Economics*, 167 (1), 102- 118
- [5] Djatmiko, T. and Pradana, R. (2015). Brand Image and Product Price: Its Impact for Samsung Smartphone Purchasing Decision. *Procedia Social and Behavioral Sciences*, 221-227
- [6] Durrani, B.A., Godil, D.I., Baig, M.U and Sajid, S. (2015). Impact of Brand Image on Buying Behaviour Among Teenagers. *European Scientific Journal*, 11 (51), 155-168
- [7] Faith, D.O. and Agwu, M.E. (2014). a Review of the Effect of Pricing Strategies on the Purchase of Consumer Goods. *International Journal of Research in Management, Science & Technology*, 2 (2), 88-102
- [8] Hening, Y. (2017). Analisis Minat Beli Wanita terhadap Produk Tas Bermerek Original di Tengah Komoditi Produk Tiruan Produksi Produsen Lokal. Retrieved on April 22, 2017 at <http://www.dinus.ac.id/wbsc/assets/dokume/majalah/ipi360772.pdf>
- [9] Hupman, R. and Zaichkowsky, J.L. (1995). Brand Imitation and The Consumer: An Ethical Perspective. *European Advances in Consumer Research*, 2, 418-424.
- [10] Komaladewi, R. and Indika, D. (2017). A Review of Consumer Purchase Decision on Low Cost Green Car in West Java, Indonesia. *Review of Integrative Business & Economics Research*, 6 (2), 172-184
- [11] Kotler, P. and Armstrong, G. (2014). *Principles of Marketing*. 15th ed. New Jersey: Pearson Prentice Hall
- [12] Kotler, P. and Keller, K.L. (2016). *Marketing Management*. 15ed. New Jersey: Pearson Prentice Hall

- [13] Li, X.G., Wang, X, and Cai, Y.J. (2011). Corporate, Product, and User-Image Dimensions and Purchase Intentions. *Journal of Computers*, 6 (9), 1875-1879
- [14] Lien, C., Wen, M.J., Huang, L. and Wu, K. (2015). Online Hotel Booking: The Effects of Brand Image, Price, Trust and Value on Purchase Intentions. *Asia Pacific Management Review*, 20, 210-218
- [15] Lin, N.H. (2007). The Effect of Brand Image and Product Knowledge on Purchase Intention Moderated by Price Discount. *Journal of International Management Studies*, August, 121-132
- [16] Marta, K. (2016). Influence of The Brand on Purchase Decision. *Academica Brancusi Publisher*, 6, 54-57
- [17] Mramba, N.R. (2015). Does the Brand Name Matter to Purchase Decision? The Case of Mobile Phone. *European Journal of Business and Management*, 7 (4), 335-343
- [18] Sangadji, E.M. and Sopiah. (2013). Perilaku Konsumen: Pendekatan Praktis disertai Himpunan Jurnal Penelitian. Yogyakarta: Penerbit Andi.
- [19] Tajdar, S., Ahmad, S., Ahmad, J. and Khan, A. (2015). Customers' Prescription of Foreign versus Local Brands in the Pharmaceutical Industry of Peshawar (Pakistan). *Review of Integrative Business & Economics Research*, 4 (2), 378-396
- [20] Temsnguanwong, S. (2015). OTOP Product Champion Marketing Strategy Model Which are Selected the Best OPC 5-Star Product Approach of Chiang Mai Province: The Fabric and Apparel Community, Thailand. *Review of Integrative Business & Economics Research*, 4 (4), 259-276
- [21] Tjiptono, F. (2008). Strategi Pemasaran, Edisi 3. ANDI: Yogyakarta
- [22] Vogel, A.T. and Watchravesringkan, K. (2017). Consumer Evaluation of Trend Imitation: Brand Equity, Consumer Attitudes and Preference. *Journal of Product and Brand Management*, 26 (5), 516-527.
- [23] Wu, C.S. (2015). a Study on Consumers' Attitude Towards Brand Image, Athletes' Endorsement, and Purchase Intention. *The International Journal of Organizational Innovation*, 8 (2), 233-253
- [24] Xu, P. and Yi, L.S. (2009). Imitation Brand (The Influencing Factors to Chinese Consumers Purchasing Behavior). *University of Halmstad: Master's Dissertation in International Marketing*, 1-83.
- [25] Zhang, Y. (2015). The Impact of Brand Image on Consumer Behavior: A Literature Review. *Open Journal of Business and Management*, (3), 58-62.